

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**WATER DIVISION**

**RESOLUTION NO. W-4430**

**October 16, 2003**

**R E S O L U T I O N**

**(RES. W-4430), ARROWHEAD MANOR WATER COMPANY, INC. (AMWC). ORDER AUTHORIZING THE CONSUMER PRICE INDEX (CPI) FOR 2002, AND A ONE-TIME SURCHARGE TO RECOVER THE DEPARTMENT OF HEALTH SERVICES (DHS) ANNUAL FEE, AND WATER TESTING COSTS PRODUCING AN OVERALL INCREASE IN ANNUAL REVENUES OF \$14,432 OR 3.6%.**

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**SUMMARY**

By Advice Letter No. 51-W, filed April 7, 2003, AMWC requests to increase rates by the Consumer Price Index for all Urban Consumers (CPI-U) of 2.4% or \$9,555; and a one-time surcharge of \$8.71 to recover the Department of Health Services (DHS) annual fee of \$1,898, and water testing costs over authorized amounts of \$2,979 for a total annual increase in revenue of \$14,432 or 3.6%. AMWC's present rates were authorized pursuant to Res. W-4429, dated October 2, 2003, authorizing a surcharge to offset purchased water and contract work costs. The utility's last general rate increase was authorized on July 17, 2002, pursuant to Commission Decision (D.) 02-07-009, which authorized a \$47,815 or 16.8% increase in rates. This resolution approves these requests.

**BACKGROUND**

Arrowhead is a Class C water utility providing service to approximately 560 customers in the unincorporated community of Cedar Glen and vicinity, one mile southeast of Lake Arrowhead, San Bernardino County.

AMWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates by the CPI-U of 2.4% or \$9,555 for year 2002, and to assess a one-time surcharge of \$8.71 to recover \$1,898 in

DHS fees for the period July 1, 2001 through June 30, 2003 and \$2,979 in water testing costs for year 2002. AMWC earned an operating ratio rate of margin of 8.23% in 2002 on a recorded basis, which does not exceed the utility's last authorized rate of margin of 15.00%.

## **DISCUSSION**

Ordering Paragraph 1 of Commission D.92-03-093, dated March 31, 1992, authorizes Class C and D water utilities to file by advice letter once each year for a rate increase based on the most recent year-end increase in the CPI-U announced by the Bureau of Labor Statistics of the U.S. Department of Labor. AMWC's request is in conformance with this authorization. The Water Division staff (Division) has reviewed the utility's request and workpapers and found this request to be reasonable.

Resolution (Res.) W-4013, dated December 20, 1996, which expired January 1, 2002, and Res. W-4327, dated March 6, 2002, authorized all Class B, C, and D Water Utilities to establish water quality memorandum accounts (WQMA) for recording expenses resulting from drinking water regulations, including water sampling, testing, reporting, and treatment costs, and office of drinking water user fee memorandum accounts (UFMA) to track California DHS user fees not presently included in rates. Class B, C, and D Water utilities were also authorized to request recovery of these account balances by advice letter filings in accordance with General Order 96-A. WQMA recovery requires a resolution, while UFMA recovery does not. Since this advice letter requests recovery from both WQMA and UFMA, this resolution deals with both.

The surcharge requested herein would allow AMWC to recover a WQMA balance of \$2,979 and a UFMA balance of \$1,898, which total \$4,877. The Division recommends that AMWC be authorized to assess a one-time surcharge of \$8.71 per customer to recover the total \$4,877 balance, which will be booked in WQMA and UFMA balancing accounts.

Since filing this Advice Letter No. 51-W, the Commission has approved subsequent advice letters for AMWC. The tariff sheets attached to Advice Letter No. 51-W are out-of-date and need to be modified accordingly.

Service is satisfactory. AMWC is in compliance with all Commission orders.

## **NOTICE AND PROTESTS**

Notice of the proposed rate increase was placed in a newspaper of general circulation on May 22, 2003. There were no protests concerning the proposed increase.

## **FINDINGS**

1. Decision 92-03-093 authorizes Class C and D water utilities to file by advice letter once each year for a rate increase based on the most recent year-end increase in the CPI-U.
2. Resolution W-4327 authorizes all Class B, C, and D water utilities to establish WQMAs and UFMAs. Class B, C, and D water utilities were also authorized to request recovery of WQMA account balances by advice letter filings.
3. On April 7, 2003, AMWC filed Advice Letter No. 51-W to increase rates to recover the CPI-U increase, water testing, and DHS fees.
4. The 2.4% CPI increase herein is the appropriate amount to be authorized.
5. The surcharge herein would allow AMWC to recover WQMA and UFMA balances, which total \$4,877 from July 2001 through June 2003.
6. It is proper for AMWC to assess a one-time surcharge of \$8.71 per customer to recover the WQMA and UFMA balances.
7. The tariff sheets attached to Advice Letter No. 51-W are out-of-date.

## **THEREFORE IT IS ORDERED THAT:**

1. Arrowhead Manor Water Company, Inc. is authorized to file, to be effective on five days notice, a compliance advice letter to make effective revised Schedules 1A, Annual Metered Service; 2RA, Annual Residential Flat Rate Service; and 4A, Private Fire Protection Service, attached to Advice Letter No. 51-W but revised to account for advice letters approved in the interim, and to cancel the corresponding presently effective rate schedules.
2. Advice Letter No. 51-W is rejected because it is out-of-date.

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3. Arrowhead Manor Water Company, Inc. is directed to maintain its balancing accounts as required by Public Utilities Code Section 792.5.
4. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on October 16, 2003; the following Commissioners voting favorably thereon:

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WILLIAM AHERN  
Executive Director

MICHAEL R. PEEVEY  
President

CARL W. WOOD  
LORETTA M. LYNCH  
GEOFFREY F. BROWN  
SUSAN P. KENNEDY  
Commissioners